

# Executive Summary

## Background

This Report on the Finances of the Government of Odisha is being brought out with a view to assess objectively the financial performance of the State during 2014-15 and to provide the State Government and State Legislature with timely inputs based on audit analysis of financial data. In order to provide a perspective to the analysis, an effort has been made to compare the achievements with the targets envisaged by the State Government in the Fiscal Responsibilities and Budget Management (FRBM) Amendment Act 2011 under Mid Term Fiscal Plan (MTFP), in the Budget Estimates of 2014-15, and norms recommended by the Thirteenth Finance Commission (ThFC).

## The Report

Based on the audited accounts of the State Government for the year ended March 2015, this Report provides an analytical review of the Annual Accounts of the State Government. The financial performance of the State has been assessed based on the FRBM Act, budget documents, ThFC recommendations and other financial data obtained from various Government departments and organisations. The Report is structured in three chapters.

**Chapter I** is based on the audit of Finance Accounts and makes an assessment of Odisha Government's fiscal position as of 31 March 2015. It provides an insight into trends in committed expenditure, borrowing pattern and resources generated through public private partnership mode.

**Chapter II** is based on audit of Appropriation Accounts and it gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. Besides, comments arising out of audit of budgetary process and budget assumptions and outcome of Inspection of Treasuries have also been included in Chapter II.

**Chapter III** is an inventory of Government's compliance with various reporting requirements and financial rules. The Report also has an appendage of additional data collected from several sources in support of the findings.

*Appendix 4.1* at the end gives a glossary of selected terms related to State economy, as used in this Report.

## **Audit findings**

### **Finances of the State Government**

**Amendment to the State FRBM Act:** In accordance with the ThFC recommendations the State Government amended (February 2012) the FRBM Act incorporating therein the continuation of the already achieved zero revenue deficit, setting a target of three *per cent* of fiscal deficit and review of compliance to provisions of FRBM Act through an independent agency as required by the ThFC.

However, disclosures like projection of Revenue Consequences of Capital Expenditure (RCCE) in the MTFP, Public Private Partnerships (PPPs) and related liabilities and bringing out statements on physical and financial assets and vacant public land and building were not included as recommended by ThFC to be featured under MTFP. Further, the Government has not prepared the outcome indicators of Fiscal Correction Path (FCP) during the period covered by ThFC.

**Revenue Receipts:** Revenue Receipts showed progressive increase from ₹ 33276 crore in 2010-11 to ₹ 56998 crore in 2014-15 registering a growth of 71 *per cent*. The annual growth rate has increased by five *per cent* from 11 *per cent* in 2013-14 to 16 *per cent* during 2014-15.

State failed to avail general performance grant of ₹ 1049.15 crore due to non-fulfilment of conditions attached to ThFC grants.

**Revenue Expenditure:** Revenue Expenditure had a predominant share which was 82 *per cent* of Total expenditure in 2014-15. Revenue Expenditure increased by ₹ 5518 crore during current year. Plan Revenue Expenditure (PRE) contributed 70 *per cent* (₹ 3869 crore) of the increase in Revenue Expenditure. NPRE as a proportion of Revenue Expenditure, decreased from 75 *per cent* in 2010-11 to 63 *per cent* in 2014-15. Although NPRE exceeded ThFC's assessment by ₹ 5739 crore, it remained below the assessment made by the Government in MTFP (₹ 42422 crore) for 2014-15 by ₹ 10163 crore.

**Public Debt:** Public Debt receipts, increased by ₹ 5356 crore from ₹ 2290 crore to ₹ 7646 crore along with increase in capital outlay by ₹ 3319 crore. Repayment of public debt increased by ₹ 1818 crore (79 *per cent*) during the year.

**Fiscal position:** Fiscal position of the State is viewed in terms of trends in deficit/surplus indicators. The State continued to maintain revenue surplus. The fiscal and primary deficit of previous year continued during 2014-15, though it was within the limits prescribed by FRBM (Amendment) Act, 2011.

**Greater priority to Capital Expenditure:** The Capital Expenditure (CE) increased significantly by 43 per cent over the previous year. However, the CE was 3.56 per cent of GSDP as against State Government's projection of 5.55 per cent for 2014-15 and less than the budget estimates.

**Review of Government investments:** As of 31 March 2015, Government had invested ₹ 3504.87 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. Average return on this investment was 15.58 per cent in the last five years (30.71 per cent during 2014-15) while Government paid an average interest rate of 6.09 per cent to 7.39 per cent on its borrowings during 2010-11 to 2014-2015.

**Debt sustainability:** During 2010-15, quantum spread together with primary deficit consistently remained positive resulting in a continuous decline in Debt/GSDP ratio. The trends in debt sustainability revealed that the incremental non-debt receipts of the State had been able to meet the incremental interest liabilities and incremental primary expenditure during the period.

## Financial Management and Budgetary Control

During 2014-15, there was overall saving of ₹ 18774.84 crore. The savings were mainly due to non implementation of schemes, less requirement of funds etc. Major Policy initiatives in the budget could not be implemented due to lack of prior planning. There were savings of ₹ 12506.47 crore in 14 cases under nine grants and two appropriations exceeding ₹ 100 crore in each case.

There were instances of persistent savings by the departments exceeding ₹ 10 crore in 21 cases relating to 18 grants and one appropriation during 2010-15. There were instances of excess expenditure and expenditure without provision of funds, unnecessary/excessive supplementary provision, substantial surrenders, non-surrender of anticipated savings during the current year.

Monthly expenditure during the year was highly erratic. Rush of expenditure was noticed during month of March. Several instances of 100 per cent expenditure during March were found.

## **Financial Reporting**

There were delays in submission of UCs of ₹ 20940 crore. State Government has no assurance and account of utilisation of this amount. This was mainly due to non adherence to the existing instructions for watching timely receipt of UCs from implementing agencies. Besides, UCs for ₹ 8561 crore were pending against 31 departments for submission to Central Government.

Information on financial assistance given to various institutions / authorities by different departments of the State Government have been furnished by 12 out of 40 departments to Audit as required under the provisions of Audit and Accounts Regulations 2007 and State Government rules.

Cases of misappropriation, losses and defalcations were pending for settlement in many departments of State Government despite the same being pointed out regularly in earlier Audit Reports.

The Chief Controlling Officers did not submit Detailed Contingent Bills against the advances drawn on Abstract Contingent (AC) Bills of ₹ 63.81 crore as of March 2015.

A large amount of unspent balance (₹ 1146 crore) was lying in 856 Personal Deposit (PD) Accounts and were not credited back to Government Account.

Labour Cess amounting to ₹ 773.34 crore at the end of 31 March 2015 was kept in bank accounts making the collected cess out of purview of legislative scrutiny. This also violates the Constitutional provisions.